

NORTH VILLAGE  
SPECIAL SERVICE DISTRICT  
A COMPONENT UNIT OF WASATCH COUNTY

**Financial Statements**

December 31, 2005

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Financial Statements**

Year Ended December 31, 2005

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## INDEPENDENT AUDITORS' REPORT

Honorable Administrative Board Members  
North Village Special Service District  
Heber City, Utah

We have audited the accompanying financial statements of North Village Special Service District, a component unit of Wasatch County, as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of North Village Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Village Special Service District as of December 31, 2005, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 12, 2006 on our consideration of North Village Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

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performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

May 12, 2006

# **NORTH VILLAGE SPECIAL SERVICE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the North Village Special Service District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the year ending December 31, 2005. Please read it in conjunction with the District's financial statements and additional information that we have furnished in the independent Auditor's report.

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### **FINANCIAL HIGHLIGHTS**

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- The District's total net assets decreased from \$(34,823) to \$(105,572) due to ongoing engineering and construction of sewer and water infrastructure creating warrants payable and accounts payable.
- The District's operating expenses are largely the result of a water lease contract with Jordanelle Special Service District for \$ 336,824 to meet the water needs of the District.
- The District's revenues are mainly Water Reserve fees in the amount of \$ 350,012 to pass through the cost of the Jordanelle SSD water lease contract. Utah Valley State College is the customer that produced the majority of the water and sewer revenue for the year.

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### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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This annual report includes the management's discussion and analysis report, the independent auditor's report and the basic financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

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### **REQUIRED FINANCIAL STATEMENTS**

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The financial statements of the District report information of the District using accounting methods similar to those used by private sector companies. These statements offers short- and long-term financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments and resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the District's operations over the past year and can be used to determine whether the District has successfully recovered all of its costs through its fees and other charges, and to determine its profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

# NORTH VILLAGE SPECIAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

### FINANCIAL ANALYSIS OF THE DISTRICT

The Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Net Assets report the net assets of the District and the change in them. The District's net assets, or the difference between assets and liabilities, is one way to measure financial health or financial position. Over time, increases or decreases in the District's net assets will be one indicator of whether its financial health is improving or deteriorating. However, in the future one will need to consider other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation.

### NET ASSETS

**Table A-1  
Statement of Net Assets  
2005**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Current and Other Assets	\$ 74,357	\$ 24,421	\$ 49,936	% 67.2
Capital Assets	<u>3,673,120</u>	<u>3,226,243</u>	<u>446,877</u>	<u>12.2</u>
Total Assets	<u>3,747,477</u>	<u>3,250,664</u>	<u>496,813</u>	<u>13.3</u>
Long-term Liabilities	\$ 7,600	\$ 2,935,079	\$ (2,927,479)	% (385.2)
Other Liabilities	<u>3,845,449</u>	<u>350,408</u>	<u>3,495,041</u>	<u>90.9</u>
Total Liabilities	<u>3,853,049</u>	<u>3,285,487</u>	<u>567,562</u>	<u>14.7</u>
Invested in Capital Assets, Net of Related Debt	\$ 358,971	269,311	\$ 89,660	25.0
- Restricted				
- Unrestricted	<u>(464,543)</u>	<u>(304,134)</u>	<u>(160,409)</u>	<u>(34.5)</u>
Total Net Assets	<u>\$ (105,572)</u>	<u>(34,823)</u>	<u>(70,749)</u>	<u>(67.0)</u>

The District's Net Assets decreased by (\$ 70,749) due to the loss before capital contributions. The District reported a net loss due to an insufficient customer base to support expenses during on-going construction of infrastructure. The net assets are a result of the District's water and sewer line infrastructure engineering and construction. The significant change from Long-term Liabilities to Other Liabilities is caused by the District's warrants becoming due within one year, therefore becoming a current liability.

# NORTH VILLAGE SPECIAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

### NET ASSETS (cont.)

**Table A-2  
Statement of Revenues,  
Expenses, and Changes in Net Assets  
2005**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Operating Revenues	\$ 359,066	\$ 358,618	\$ 448	% .1
Nonoperating Revenues	<u>27</u>	<u>27</u>	<u>27</u>	<u>100.0</u>
Total Revenues	<u>359,093</u>	<u>358,618</u>	<u>475</u>	<u>.1</u>
Depreciation Expense	\$ 57,869	57,145	724	1.3
Other Operating Expense	372,862	369,476	3,386	.9
Nonoperating Expense	<u>430,731</u>	<u>426,621</u>	<u>4,110</u>	<u>1.0</u>
Income (Loss) Before Capital Contributions	(71,638)	(68,003)	(3,635)	
Capital Contributions-Impact Fees	<u>889</u>	<u>889</u>	<u>889</u>	
Changes in Net Assets	(70,749)	(68,003)	(2,746)	
Beginning Net Assets	<u>(34,823)</u>	<u>33,180</u>	<u>(68,003)</u>	
Ending Net Assets	<u>\$ (105,572)</u>	<u>(34,823)</u>	<u>(70,749)</u>	

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes. As can be seen in Table A-2 above, in 2004 there were no capital contributions. There was an overall decrease in net assets of (\$ 70,749) mainly due to the net loss as previously stated.

The District's operating revenue is due to water reservation fees of \$350,012 and water and sewer service to the college and three other connections during the year for \$ 9,054.

# NORTH VILLAGE SPECIAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

### **BUDGETARY HIGHLIGHTS**

The District adopts an annual Budget by resolution following a public hearing. The Budget includes proposed expenses and the means of financing them. The District's Budget remains in effect the entire year and is subject to revision if necessary during and/or at the end of the year following a public hearing and adoption by the Governing Board by resolution. A quarterly budget comparison and analysis is presented to management and to the Governing Board for their review.

**Table A-3  
Budget vs. Actual  
2005**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
From Operations	\$ 358,877	\$ 359,066	\$ 189
Non-operating	<u>27</u>	<u>27</u>	<u>27</u>
Total	<u>358,877</u>	<u>359,093</u>	<u>216</u>
Operating Expenses			
Overhead & Management	18,000	18,649	649
Water Leases	336,200	336,740	540
Supplies, Materials, Services	25,850	17,473	(8,377)
Depreciation	60,000	57,869	(2,131)
Non-operating	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenses	<u>440,050</u>	<u>430,731</u>	<u>(9,319)</u>
Income (Loss) Before Capital Contributions	<u>\$ (81,173)</u>	<u>\$ (71,638)</u>	<u>\$ 9,535</u>

A public hearing was held on December 1, 2004 and the 2005 final budget was adopted by resolution on December 15, 2004 by the District's Governing Board. The final adopted budget for 2005 is represented in Table A-3 above. Total expenses were under budget by \$ 9,319 which is approximately 2% of the total budget.



# NORTH VILLAGE SPECIAL SERVICE DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)

### CAPITAL ASSETS

The District invested \$362,190 in capital assets in 2005 comprised of \$199,813 costs for additional sewer lines and additions to the sewer lift station and \$162,377 in construction in progress as shown in Table A-4. The process of obtaining a bond for the District's water and sewer infrastructure was begun in 2002.

**Table A-4  
Capital Assets  
2005**

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Capital assets, not being depreciated				
Easements	\$ 6,045	\$ 6,045		
Construction in progress	399,374	400,259	\$ (885)	% (2.2)
Infrastructure not in service	<u>308,951</u>	<u>7,500</u>	<u>301,451</u>	<u>97.6</u>
Total capital assets, not being depreciated	\$ <u>714,370</u>	\$ <u>413,804</u>	\$ <u>300,566</u>	% <u>42.1</u>
Capital assets, being depreciated				
Sewer Lines	\$ 1,049,627	\$ 878,102	\$ 171,525	% 16.3
Sewer Lift Stations	301,304	273,014	28,290	10.4
Water Lines	<u>1,707,121</u>	<u>1,707,121</u>		
Total capital assets, being depreciated	\$ <u>3,058,053</u>	\$ <u>2,858,237</u>	\$ <u>199,816</u>	% <u>6.5</u>
Less: Accum. Depreciation	<u>(133,123)</u>	<u>(75,251)</u>	<u>(57,872)</u>	<u>(76.9)</u>
Net Depreciable assets	\$ <u>2,924,930</u>	\$ <u>2,782,986</u>	\$ <u>141,944</u>	<u>4.9</u>
Capital assets, net	\$ <u>3,639,300</u>	\$ <u>3,196,790</u>	\$ <u>442,510</u>	% <u>12.2</u>

The District's Capital Plan includes the construction of water and sewer lines for an approximate addition to capital assets of an additional \$ 2.6 million. The increase in net capital assets of \$ 442,510 is the result of completed and construction in progress of water and sewer lines started in the Summer of 2002. The estimated completion time of the project is the late Summer of 2006, at which time the bond will be closed and the property owners will be assessed for the repayment of the bond.

# **NORTH VILLAGE SPECIAL SERVICE DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (cont.)**

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### **DEBT ADMINISTRATION**

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An account has been opened in behalf of the District within the Utah Public Treasurer's Investment Fund for the accumulation of impact fees. Warrants are currently being issued from Zion's Bank Public Finance at a rate of 5.6% to cover the construction costs of the District's water and sewer lines. At project completion, the bond documents will be completed by the law offices of Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah.

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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The County Council and management of the District considered many factors when setting the year 2006 budget. One of those factors is the local economy and the impact our rates will have on local property owners. Additional establishments of water and sewer policies will be completed in 2006 so that the District may operate under implemented ordinances and policies. A water and sewer impact fee analysis study was completed, and the District's rate structure was put into place in 2003. This rate structure is competitive with other Special Service Districts' rate structures within Wasatch County.

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### **CONTACTING THE DISTRICT'S FINANCIAL MANAGER**

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This financial report is designed to provide our customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the North Village Special Service District, 55 South 500 East #118, Heber City, Utah 84032.

## **FINANCIAL STATEMENTS**

The financial statements include integrated sets of financial statements as required by accounting principles generally accepted in the United States of America. The statements include:

### **Fund financial statements**

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

# NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Statement of Net Assets

December 31, 2005

With Comparative Totals for December 31, 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 1 and 2)	\$ 72,771	\$ 23,774
Accounts receivable (Note 1)	670	647
Total current assets	<u>73,441</u>	<u>24,421</u>
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents (Note 2)	916	
Capital assets (Notes 1 and 7)		
Non-depreciable capital assets	714,370	413,804
Depreciable equipment, net	2,924,930	2,782,986
Debt issuance costs	33,820	29,453
Total noncurrent assets	<u>3,674,036</u>	<u>3,226,243</u>
Total assets	<u>\$ 3,747,477</u>	<u>\$ 3,250,664</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,579	\$ 424
Accrued interest payable	292,118	153,929
Construction payable	212,384	166,569
Due to other governmental entities (Note 5)	59,039	29,486
Current portion interim warrants (Note 3)	3,280,329	
Total current liabilities	<u>3,845,449</u>	<u>350,408</u>
<b>Noncurrent Liabilities</b>		
Deferred revenue (Note 3)	7,600	7,600
Interim warrants (Note 3)		2,927,479
Total noncurrent liabilities	<u>7,600</u>	<u>2,935,079</u>
Total liabilities	<u>\$ 3,853,049</u>	<u>\$ 3,285,487</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt (Note 8)	\$ 358,971	\$ 269,311
Unrestricted deficit	(464,543)	(304,134)
Total net assets, deficit	<u>\$ (105,572)</u>	<u>\$ (34,823)</u>

# **NORTH VILLAGE SPECIAL SERVICE DISTRICT**

## **A COMPONENT UNIT OF WASATCH COUNTY**

### **Statement of Revenues, Expenses, and Changes in Net Assets**

For the Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	<u>2005</u>	<u>2004</u>
<b>Operating Revenues</b>		
Charges for services	\$ 9,054	\$ 8,606
Reservation fees	350,012	350,012
Total operating revenues	<u>359,066</u>	<u>358,618</u>
<b>Operating Expenses</b>		
Materials, supplies, and services	372,862	369,476
Depreciation	57,869	57,145
Total operating expenses	<u>430,731</u>	<u>426,621</u>
Operating loss	<u>(71,665)</u>	<u>(68,003)</u>
<b>Nonoperating Revenues</b>		
Interest revenue	<u>27</u>	
Loss before contributions	<u>(71,638)</u>	<u>(68,003)</u>
<b>Capital Contributions</b>		
Impact fees	<u>889</u>	
Total capital contributions	<u>889</u>	
<b>Change in Net Assets</b>	(70,749)	(68,003)
Net assets – beginning of year	<u>(34,823)</u>	<u>33,180</u>
Net assets – end of year	<u>\$ (105,572)</u>	<u>\$ (34,823)</u>

# NORTH VILLAGE SPECIAL SERVICE DISTRICT

A COMPONENT UNIT OF WASATCH COUNTY

## Statement of Cash Flows

For the Year Ended December 31, 2005

With Comparative Totals for the Year Ended December 31, 2004

	2005	2004
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 359,043	\$ 358,595
Payments to suppliers	(342,154)	(368,591)
Net cash provided (used) by operating activities	<u>16,889</u>	<u>(9,996)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	352,850	70,971
Construction of capital assets	(316,375)	(72,839)
Bond issuance costs	(4,367)	
Capital contributions-impact fees	889	
Net cash provided (used) by capital and related financing activities	<u>32,997</u>	<u>(1,868)</u>
<b>Cash Flows from Investing Activities</b>		
Interest	27	
Net cash provided by investing activities	<u>27</u>	
Net increase (decrease) in cash and cash equivalents	49,913	(11,864)
Balances – beginning of year	23,774	35,638
Balances – end of year	<u>\$ 73,687</u>	<u>\$ 23,774</u>
Cash and cash equivalents	\$ 72,771	\$ 23,774
Restricted cash and cash equivalents	916	
	<u>\$ 73,687</u>	<u>\$ 23,774</u>
<i>Reconciliation of operating loss to net cash provided (used) by operating activities</i>		
Operating loss	\$ (71,665)	\$ (68,003)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation	57,869	57,145
Changes in assets and liabilities		
Increase in accounts receivable	(23)	(23)
Increase in accrued liabilities	30,708	885
Net cash provided (used) by operating activities	<u>\$ 16,889</u>	<u>\$ (9,996)</u>
<i>Noncash capital and related financing activities</i>		
Capitalized accrued interest	\$ 138,189	\$ 96,789

## NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements are included to provide information that is essential to a user's understanding of the financial statements.

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements and notes are representations of North Village Special Service District's management, which is responsible for their integrity and objectivity. They have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and present the financial position, the changes in its financial position, and the cash flows of the District as of December 31, 2005, and for the year then ended. This summary of significant accounting policies of the District is presented to assist in understanding the financial statements.

**Reporting Entity**

North Village Special Service District (the District) is an enterprise fund type of the governmental entity Wasatch County operated similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges for water and sewer services.

**Component Unit**

Under the guidelines established by GASB 39, the District has been determined to be a component unit of Wasatch County for financial accounting purposes and is included as a blended component unit in the County's financial statements.

**Basis of Accounting**

Enterprise funds focus on measurement of the flow of economic resources. With this measurement focus, all assets and liabilities associated with the operation of this fund, both current and noncurrent, are included on the statement of net assets. The accrual basis of accounting is utilized by enterprise funds. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

Enterprise funds follow all Governmental Accounting Standards Board (GASB) pronouncements. In addition, all Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinion pronouncements issued on or before November 30, 1989 are followed, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.



**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. The operating revenues of the District are water and sewer fees and water reservation fees received from developers within the District's boundaries. Operating expenses for the District include the costs of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

The District defines cash and cash equivalents as all deposits in its checking account and all highly liquid debt instruments purchased with a maturity of three months or less. See Note 2 for additional information.

**Capital Assets**

All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Depreciation is computed using the straight-line method over the useful life of the asset. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Years</u>
Sewer lines	50
Water lines	50
Sewer lift station	50

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period. Assets the District is constructing are not placed in service until the construction is complete; therefore, no depreciation is taken. Interest on construction related debt is capitalized. The District capitalized \$138,189 in interest for the year ended December 31, 2005. See Note 7 for additional information.

**Accounts Receivable**

The District considers an account to be delinquent if payment has not been received by the last day of the month following the month of billing. All delinquent accounts are assessed a finance charge of \$15 per month. The State of Utah passed a law allowing districts to place a lien on any property with an overdue balance of either reserve fees or customer service fees. As the District will eventually collect the fees, an allowance for doubtful accounts is not recorded in the financial statements.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Budgeting**

The District's governing board adopts a budget for each year prior to the beginning of the year. These budgets are amended during the year, as the board deems necessary, to accommodate current operations and are accepted by official vote of the board. The board did not amend the budget for the year ended December 31, 2005.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The District has retained the risk of loss and will fund claims as they occur. As of December 31, 2005, no claims had been made.

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Deposits and investments for District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, “the Act”) and by rules of the Utah Money Management Council (the Council). Following are discussions of the District’s exposure to various risks related to its cash management activities.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District’s policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, all of the District's bank balance of \$73,183 was insured by the Federal Deposit Insurance Corporation (FDIC).

**Credit Risk**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District’s policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants’ average daily balances.

For the year ended December 31, 2005, the District had investments of \$916 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**  
A COMPONENT UNIT OF WASATCH COUNTY  
**Notes to Financial Statements**  
December 31, 2005

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Restricted Assets**

In 2003 the District began collecting impact fees for sewer development and improvements as described in Note 6. The \$916 of unexpended fees and interest is being held in the PTIF account.

**NOTE 3 – LONG-TERM LIABILITIES**

The District's long-term liabilities for the year ended December 31, 2005 are as follows:

	Balance 12/31/2004	Additions	Reductions	Balance 12/31/2005	Due Within One Year
Other liabilities					
Deferred revenue	\$ 7,600			\$ 7,600	
Interim warrants	2,927,479	\$ 352,850		3,280,329	\$ 3,280,329
Total long-term debt	<u>\$ 2,935,079</u>	<u>\$ 352,850</u>	<u>\$ -0-</u>	<u>\$ 3,287,929</u>	<u>\$ 3,280,329</u>

The District received funds from developers before they had a legal claim to them; therefore, they were recorded as a liability on the Statement of Net Assets. When the recognition criteria are met, the liability will be removed from the Statement of Net Assets and the revenue will be reported in the operating statement.

In order to fund the construction of the water and sewer line infrastructure, the District issued interim warrants drawn on Zions First National Bank bearing interest of between 4.20 and 5.60 percent. Upon completion, the warrants will be paid with the issuance of a bond for approximately \$5,800,000 which is projected to close on July 1, 2006.

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

**A COMPONENT UNIT OF WASATCH COUNTY**

**Notes to Financial Statements**

December 31, 2005

**NOTE 4 – ECONOMIC DEPENDENCY**

In 2005, The District received ninety-seven (97) percent of its revenues from water reservation fees received from participating property owners and impact fees received from serviced customers. Once operational, North Village Special Service District will be economically dependent on the sewer collection and water services it provides within its boundaries.

**NOTE 5 – RELATED PARTIES**

**Jordanelle Special Service District**

In 2002, the District entered into an agreement with Jordanelle Special Service District (JSSD) to provide wastewater treatment services for the District. Until the District's infrastructure is in place, JSSD will charge the District a monthly water reservation fee of \$326 per acre foot for 83.33 acre feet. Additionally, JSSD provides inspections of the construction in progress. The District paid JSSD \$336,824 during the year ended December 31, 2005, of which \$56,350 was still due as of December 31, 2005. The District and JSSD are both component units of Wasatch County.

**Wasatch County**

In 2003, the District entered into an agreement with Wasatch County to provide management and accounting services to the District. The District paid Wasatch County \$9,410 for services received during the year ended December 31, 2005, of which \$2,284 was still due as of December 31, 2005. The District and Wasatch County have the same governing board.

**Twin Creeks Special Service District**

In 2004, the District entered into an agreement with Twin Creeks Special Service District (TCSSD) to provide operations and maintenance services to the District. The District paid TCSSD \$9,513 for services received during the year ended December 31, 2005, of which \$406 was still due as of December 31, 2005. The District and TCSSD have the same governing board.

**NOTE 6 – IMPACT FEE REVENUE**

The District has assessed an impact fee of \$3,023 per equivalent residential unit since October 17, 2003, for developments wishing to participate in the services of the District. Impact fees of \$889 were collected during the year.

**NORTH VILLAGE  
SPECIAL SERVICE DISTRICT**

A COMPONENT UNIT OF WASATCH COUNTY

**Notes to Financial Statements**

December 31, 2005

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 is as follows:

	Balance 12/31/2004	Additions	Deletions	Balance 12/31/2005
Capital assets, not being depreciated				
Easement	\$ 6,045			\$ 6,045
Infrastructure not in service	7,500	\$ 301,451		308,951
Construction in progress	400,259	300,566	\$ 301,451	399,374
Capital assets, not being depreciated	413,804	602,017	301,451	714,370
Capital assets, being depreciated				
Water lines	1,707,121			1,707,121
Sewer lines	878,105	171,522		1,049,627
Sewer lift stations	273,014	28,290		301,304
Total capital assets, being depreciated	2,858,240	199,813		3,058,053
Less accumulated depreciation				
Water lines	(46,947)	(34,142)		(81,089)
Sewer lines	(21,508)	(18,001)		(39,509)
Sewer lift stations	(6,799)	(5,726)		(12,525)
Total accumulated depreciation	(75,254)	(57,869)		(133,123)
Net depreciable assets	2,782,986	141,944		2,924,930
Capital assets, net	<u>\$ 3,196,790</u>	<u>\$ 743,961</u>	<u>\$ 301,451</u>	<u>\$ 3,639,300</u>

**NOTE 8 – NET ASSETS**

Net assets at December 31, 2005 consisted of the following:

Invested in capital assets, net of related debt:	
Land and construction in progress	\$ 405,419
Infrastructure not in service	308,951
Depreciable equipment, net	2,924,930
Outstanding debt issued to construct capital assets	(3,280,329)
Total invested in capital assets, net of related debt	<u>358,971</u>
Unrestricted net asset deficit	<u>(464,543)</u>
Total net assets	<u>\$ (105,572)</u>

## **ADDITIONAL AUDITORS' REPORTS AND SCHEDULES**

These additional reports are required by *Government Auditing Standards* and the Utah State Auditor's Office, respectively.



# HAWKINS CLOWARD & SIMISTER

CERTIFIED PUBLIC ACCOUNTANTS, LC

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Administrative Board Members  
North Village Special Service District  
Heber City, Utah

We have audited the financial statements of North Village Special Service District as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered North Village Special Service District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether North Village Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an



opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

May 12, 2006

**NORTH VILLAGE SPECIAL SERVICE DISTRICT**  
**A COMPONENT UNIT OF WASATCH COUNTY**

**Schedule of Audit Findings**

December 31, 2005

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of North Village Special Service District.
2. There were no reportable conditions relating to the audit of the financial statements as reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standard*.
3. There were no instances of noncompliance required to be reported under *Government Auditing Standards*.

**B. FINDINGS — FINANCIAL AUDIT CURRENT YEAR**

None.

**C. FINDINGS — FINANCIAL AUDIT PRIOR YEAR**

None.



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## UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE

Honorable Administrative Board Members  
North Village Special Service District  
Heber City, Utah

We have audited the financial statements of North Village Special Service District for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts
- Other General Compliance Issues
- Impact Fees

The District did not receive any state grants during the year ended December 31, 2005.

The management of the North Village Special Service District is responsible for the District's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described below. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

**A. CURRENT YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE**

**1. Finding: Deficit Position**

For the year ended December 31, 2005, North Village SSD was in a deficit position.

**Recommendation:** We recommend the District explore ways to generate net income to restore the retained earnings balance.

**Response:** We agree with the finding and will implement the recommendation in so far as possible.

**B. CURRENT STATUS OF PRIOR YEAR IMMATERIAL INSTANCE OF NONCOMPLIANCE**

**1. Finding: Deficit Position**

For the year ended December 31, 2004, North Village SSD was in a deficit position.

**Status:** See current year finding.

In our opinion, North Village Special Service District complied in all material respects with the compliance requirements identified above for the year ended December 31, 2005.

This report is intended for the information of management and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

*Hawkins Cloward & Simister, LC*

HAWKINS CLOWARD & SIMISTER, LC

CERTIFIED PUBLIC ACCOUNTANTS

May 12, 2006